

Modi Sets Sights on A 'Developed India'

● Economists are skeptical GDP can grow fast enough to meet the prime minister's 2047 target

In an August 2022 speech delivered at the historic Red Fort in New Delhi, Prime Minister Narendra Modi made a bold pledge: India will be a developed country by 2047.

The annual Independence Day address is often big on promises and grand visions, so the pronouncement didn't stand out at the time. Yet more than a year later, the phrase "Viksit Bharat"—or "Developed India"—has come to define Modi's economic vision for a likely third term in office, in national elections that began on April 19 and run through June 1.

The phrase has cropped up in at least 23 of the 29 official speeches Modi has made since March. His Bharatiya Janata Party highlights the goal prominently on the first page of its 76-page election manifesto and goes on to mention it 11 more times. It also regularly surfaces in presentations by government ministers and has filtered into policy documents.

Central bank staff members have published their own road map for reaching it.

"This decade is crucial for fulfilling the dreams of a Viksit Bharat," Modi said at an event in March. "This decade is about fulfilling those aspirations that once seemed impossible to the people."

There's no standard definition of a developed country, and Modi hasn't announced any specific targets, making it difficult for economists to assess India's chances of meeting his goal.

The World Bank ranks countries from low to high income. Analysts at Oxford Economics crunched the numbers and concluded India would need to raise per capita income levels from \$2,434 last year to \$13,845, based on 2023 prices, to attain high-income status by the centenary of its independence from Britain. This would require boosting gross domestic product more than sixfold, to about \$23 trillion, which would necessitate economic growth of at least 8% a year for the next quarter century.

Modi's target "is highly ambitious," Alexandra Hermann, Oxford Economics' lead economist, said in an email. "Never say never, but our own forecasts are for the economy to grow by 6.6% per year on average over the next five years, with the pace of expansion slowing over the medium term as the economy develops further."

Even though India's economy grew more than 7% in the fiscal year ended in March and is expected



◀ Modi greets the public at a roadshow on April 6 in Ghaziabad

to match that in the current one, achieving a consistent 8% pace would be extremely difficult. China was one of the few countries to manage it—growing an average of 10% a year for about three decades after it initiated economic reforms in the late 1970s—yet the World Bank still classes it as an upper-middle-income country.

“Given that India has never consistently achieved 8% growth per year, I think it’s pie in the sky,” Tom Miller, a senior analyst at Gavekal Research, said in an email. “India is more financially constrained than China was, and nor is its economy structured to grow through massive China-style investments.” That doesn’t mean India can’t expand fairly rapidly and “develop successfully over the next quarter century, which is what actually matters,” rather than meeting some arbitrary target, he said.

China’s per capita income stood at \$12,720 as of 2022, according to the World Bank. President Xi Jinping’s target is to make it a “medium-developed country” by 2035—a goal that’s also not clearly defined but which economists say implies a doubling in the size of GDP from 2020 levels.

The United Nations’ Human Development Index, which takes into account health and education metrics, along with other criteria of quality of life, is often used as a yardstick to measure a country’s prosperity beyond income levels. By that gauge, India currently ranks as medium level, with an index score of 0.64. A country is generally considered developed with an index level above 0.8.

Among India’s biggest challenges will be improving its education system and providing more jobs for the millions of young people who enter the labor market every year. Research from the International Labour Organization shows that almost a third of university graduates in the country are unemployed, a level almost nine times higher than for those who can’t read or write. More than half the population of 1.4 billion is younger than age 30.

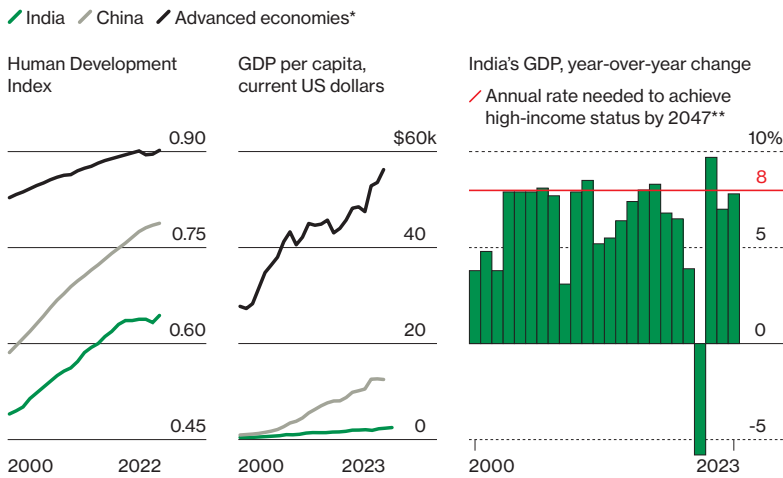
Raghuram Rajan, India’s former central bank governor and now a professor at the University of Chicago Booth School of Business, has said it’s “nonsense” to talk about being a developed economy without improving education. Modi’s supporters and government officials have roundly criticized Rajan on social media for his views.

Viksit Bharat is less about hard targets and more about tapping into the aspirational spirit of Indians who see their country growing in stature globally, says Milan Vaishnav, director and senior fellow of the South Asia Program at the Carnegie Endowment for International Peace. “Even if India

does not achieve the benchmarks Modi has laid out, few will fault him for setting a marker down,” he says.

In his almost 10 years as prime minister, Modi has rolled out several campaigns to boost India’s stature. His administration’s “Make in India” program, which aims to turn the country into a world-class manufacturing hub to rival China, is credited with helping increase annual foreign direct investment by more than 40% since 2014. Besides lobbying US businesses such as Apple Inc. and Tesla Inc. to expand or open factories in India, his government also has courted investors in the Middle East. As chair of the Group of 20 countries last year, Modi positioned India as the voice of the so-called Global South of developing countries.

How India Stacks Up



Although officials haven’t publicized economic targets to reach the 2047 goal, internal estimates by the Ministry of Finance project the economy will reach \$6.69 trillion by 2030 and \$29.02 trillion by 2047, before adjusting for inflation, according to people familiar with the figures. In the next six years, Modi’s goal is to double per capita income, to \$4,418, they say, asking not to be identified because the discussions are private.

“Leaders like Modi love coming up with grand development targets, especially when they are lapped up by domestic audiences,” Gavekal’s Miller said in his email. “Yes, it’s good to be ambitious—and China, for one, has used targets to direct policy-making. But I don’t put much store in the target date itself.” —*Ruchi Bhatia and Anup Roy*

THE BOTTOM LINE India is unlikely to reach developed status by 2047, which would require a sixfold increase in GDP. But that may not matter politically for Modi.